

Received & Inspected

JUL - 1 2016

FCC Mailroom



Lake Livingston Telephone Company

229 Stevens Lane Livingston, TX 77351

Phone: 936-566-4000 Fax: 936-566-5300

REDACTED – FOR PUBLIC INSPECTION

June 30, 2016

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Connect America Fund, WC Docket No. 14-58, 47 CFR § 54.313 Annual Reporting Requirements for High-Cost Recipients (Form 481)

Dear Ms. Dortch:

Attached please find Lake Livingston Telephone Company, Inc.'s high-cost support recipient annual report pursuant to 47 CFR § 54.313 (Form 481).

Lake Livingston Telephone Company, Inc. is filing certain financial information, reported pursuant to 47 CFR § 54.313(f)(2), as confidential under the March 22, 2016 Protective Order (DA 16-296). Pursuant to that Order, each page of this filing has been marked "REDACTED - FOR PUBLIC INSPECTION." The non-redacted version of this information has been marked "CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION." As such, Lake Livingston Telephone Company, Inc. requests that the non-redacted version of its submission be withheld from public inspection.

Lake Livingston Telephone Company, Inc. is also requesting confidential treatment of certain information being filed pursuant to 47 CFR § 54.202(a)(1)(ii) and 54.313(a)(1) (five year service quality improvement plan) under 47 CFR § 0.457 and 0.459. The redacted version of this filing has been marked "REDACTED - FOR PUBLIC INSPECTION." The non-redacted version has been marked "CONFIDENTIAL - NOT FOR PUBLIC INSPECTION."

Pursuant to 47 CFR § 0.459, Lake Livingston Telephone Company, Inc. offers the following in support of its request for confidential treatment of certain information.

- *Identification of the specific information for which confidential treatment is sought:* Lake Livingston Telephone Company, Inc. seeks confidential treatment of the five year service quality improvement plan required per 47 CFR § 54.202(a)(1)(ii) and 54.313(a)(1),
- *Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:* Lake Livingston Telephone Company, Inc. is

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providing the five year service quality improvement plan as part of its annual high-cost support recipient report per 47 CFR § 54.313.

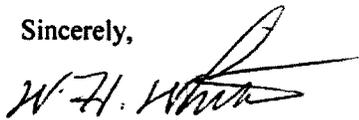
- *Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:* Lake Livingston Telephone Company, Inc. considers the information to be highly sensitive in that it contains statements about the Company's future investment plans, and discusses specific equipment and strategies the Company will utilize to provide services.
- *Explanation of the degree to which the information concerns a service that is subject to competition:* Lake Livingston Telephone Company, Inc. provides voice and broadband services that are in competition with various landline and wireless providers; thus, the investment data disclosed is related to services subject to competition to a high degree.
- *Identification of any measures taken by the submitting party to prevent unauthorized disclosure:* Lake Livingston Telephone Company, Inc. makes the data being provided available only to employees, consultants, and attorneys on a limited, need-to-know basis.
- *Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:* The information is not publicly available.
- *Justification of the period during which the submitting party asserts that material should not be available for public disclosure:* Lake Livingston Telephone Company, Inc. requests that the data provided be treated as confidential indefinitely. Due to the sensitive nature of the data, it would not be appropriate for public disclosure at any time in the foreseeable future.
- *Any other information that the party seeking confidential treatment believes may be useful in assessing whether its request for confidential treatment should be granted:* None.

Accordingly, Lake Livingston Telephone Company, Inc. requests confidential treatment of the five year service quality improvement plan pursuant to section 0.457 and 0.459 of the Commission's rules.

The redacted version of this Form 481 submission will be filed via the Commission's Electronic Comment Filing System (ECFS) in the above-captioned docket.

If you have any questions about this filing, please contact the undersigned.

Sincerely,



Attachment

FCC Form 481 - Carrier Annual Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	442104
<015> Study Area Name	LAKE LIVINGSTON TEL
<020> Program Year	2017
<030> Contact Name: Person USAC should contact with questions about this data	William Whitten
<035> Contact Telephone Number: Number of the person identified in data line <030>	9365664242 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	hubw@livingston.net
Form Type	54.313 and 54.422

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**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 442104
 <015> Study Area Name LAKE LIVINGSTON TEL
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data William Whitten
 <035> Contact Telephone Number - Number of person identified in data line <030> 9365664242 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> hubw@livingston.net

<110> Has your company received its ETC certification from the FCC?
 If your answer to Line <110> is yes, do you have an existing §54.202(a) "5
 year plan" filed with the FCC? (yes / no)

<111> (yes / no)

If your answer to Line <111> is yes, please file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

442104TX112.pdf

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to §54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

Yes

<113> Maps detailing progress towards meeting plan targets
 <114> Report how much universal service (USF) support was received
 <115> How much (USF) was used to improve service quality and how support was used to improve service quality
 <116> How much (USF) was used to improve service coverage and how support was used to improve service coverage
 <117> How much (USF) was used to improve service capacity and how support was used to improve service capacity
 <118> Provide an explanation of network improvement targets not met in the prior calendar year.

**(300) Unfulfilled Service Request
Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code 442104
 <015> Study Area Name LAKE LIVINGSTON TEL
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data William Whitten
 <035> Contact Telephone Number - Number of person identified in data line <030> 9365664242 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> hubw@livingston.net

<300> Unfulfilled service request (voice)

<310> Detail on attempts (voice) _____
Name of Attached Document

<320> Unfulfilled service request (broadband)

<330> Detail on attempts (broadband) _____
Name of Attached Document

(400) Number of Complaints per 1,000 customers Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code 442104

<015> Study Area Name LAKE LIVINGSTON TEL

<020> Program Year 2017

<030> Contact Name - Person USAC should contact regarding this data William Whitten

<035> Contact Telephone Number - Number of person identified in data line
<030> 9365664242 ext.

<039> Contact Email Address - Email Address of person identified in data line
<030> hubw@livingston.net

<400> Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice

<410> Complaints per 1000 customers for fixed voice 0.0

<420> Complaints per 1000 customers for mobile voice

<430> Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband

<440> Complaints per 1000 customers for fixed broadband 0.0

<450> Complaints per 1000 customers for mobile broadband

**(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442104
<015>	Study Area Name	LAKE LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes

442104TX510.pdf

<510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance

(600) Functionality in Emergency Situations Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	442104
<015> Study Area Name	LAKE LIVINGSTON TBL
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	William Whitten
<035> Contact Telephone Number - Number of person identified in data line <030>	936564242 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	hubwelivingston.net
<600> Certify compliance regarding ability to function in emergency situations	Yes
<610> Descriptive document for Functionality in Emergency Situations	442104TX610.pdf

(1000) Voice and Broadband Service Rate Comparability Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442104
<015>	Study Area Name	LAKE LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

<1000>	Voice services rate comparability certification	Yes	
<1010>	Attach detailed description for voice services rate comparability compliance		442104TX1010.pdf Name of Attached Document
<1020>	Broadband comparability certification	No	
<1030>	Attach detailed description for broadband comparability compliance		442104TX1030.pdf Name of Attached Document

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	442104
<015>	Study Area Name	LAKE LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

<1100> Certify whether terrestrial backhaul options exist (Y/N)

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers
Lifeline Data Collection Form**

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2003

<010> Study Area Code 442104
 <015> Study Area Name LAKE LIVINGSTON TEL
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data William Whitten
 <035> Contact Telephone Number - Number of person identified in data line <030> 9365664242 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> hubw@livingston.net



<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP ://www.puc.texas.gov/consumer/lowincome/assistance.aspx

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222> Details on the number of minutes provided as part of the plan,
- <1223> Additional charges for toll calls, and rates for each such plan.

(2000) Price Cap Carrier Additional Documentation
 Data Collection Form
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<010> Study Area Code 442104
 <015> Study Area Name LAKE LIVINGSTON TEL
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data William Whitten
 <035> Contact Telephone Number - Number of person identified in data line <030> 935566242 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> hubw@livingston.net

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

<2010> 2nd Year Certification 47 CFR § 54.313(b)(1)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support

<2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support

<2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.

<2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only.

<2024A> Round 2 Recipient of Incremental Support?

<2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only.

<2025A> Round 1 or Round 2 Recipient of Incremental Support?

<2025B> Attach geocoded information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing Required Information

Name of Attached Document Listing Required Information

(2000) Price Cap Carrier Additional Documentation (Continued)

Data Collection Form

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

Name of Attached Document Listing Required Information

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

<2018> cap carrier used for capital expenditures in 2015. Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

Name of Attached Document Listing Required Information

<2019> Recipient certifies that it bid on category one telecommunications and internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

<010> Study Area Code 442104
 <015> Study Area Name LAKE LIVINGSTON TEL
 <020> Program Year 2017
 <030> Contact Name - Person USAC should contact regarding this data William Whitten
 <035> Contact Telephone Number - Number of person identified in data line <030> 9365664242 ext.
 <039> Contact Email Address - Email Address of person identified in data line <030> hubw@livingston.net

Complete the items below to note compliance with five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan
 Carrier certifies to 54.313(f)(1)(iii)

(3009) **Yes - Attach Certification**

(3010A) Milestone Certification {47 CFR § 54.313(f)(1)(i)} 442104TX3010.pdf

(3010B) Please Provide Attachment Name of Attached Document Listing Required Information

(3012A) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)} No - No New Community Anchors

(3012B) Please Provide Attachment Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)} (Yes/No) Yes No

(3014) If yes, does your company file the RUS annual report (Yes/No) Yes No

Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited? (Yes/No) Yes No

If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.

If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification.

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information Name of Attached Document Listing Required Information 442104TX3026.pdf

(3005) Rate Of Return Carrier Additional Documentation (Continued)

Data Collection Form

FCC Form 431
 OMB Control No. 3060-0988/OMB Control No. 3060-0819
 July 2013

<010>	Study Area Code	442104
<015>	Study Area Name	LARK LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

Financial Data Summary

(3027) Revenue	3321460
(3028) Operating Expenses	2904000
(3029) Net Income	380220
(3030) Telephone Plant In Service(TPIS)	10722387
(3031) Total Assets	5514022
(3032) Total Debt	1504680
(3033) Total Equity	4420614
(3034) Dividends	0

(4005) Rural Broadband Experiment Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442104
<015>	Study Area Name	LAKE LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	938564242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information _____

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.

Name of Attached Document Listing Required Information _____

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.

Name of Attached Document Listing Required Information _____

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442104
<015>	Study Area Name	LAKE LIVINGSTON TEL
<020>	Program Year	2017
<030>	Contact Name - Person USAC should contact regarding this data	William Whitten
<035>	Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	442104
<015> Study Area Name	LAKE LIVINGSTON TEL
<020> Program Year	2017
<030> Contact Name - Person USAC should contact regarding this data	William Whitten
<035> Contact Telephone Number - Number of person identified in data line <030>	9365664242 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	hubw@livingston.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Alexicon, Inc.</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Alexicon, Inc.
Name of Reporting Carrier:	LAKE LIVINGSTON TEL
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 06/30/2016
Printed name of Authorized Officer:	Stephen Blount
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	9365664000 ext.
Study Area Code of Reporting Carrier:	442104 Filing Due Date for this form: 07/01/2016
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	LAKE LIVINGSTON TEL
Name of Authorized Agent Firm:	Alexicon, Inc.
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 06/30/2016
Name of Authorized Agent Employee:	Dion Nero
Title or position of Authorized Agent or Employee of Agent:	Senior Client Manager
Telephone number of Authorized Agent or Employee of Agent:	9183769901 ext.
Study Area Code of Reporting Carrier:	442104 Filing Due Date for this form: 07/01/2016
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

I. DISCUSSION

Lake Livingston Telephone Company, Inc. (Lake Livingston), an ETC designated by and under the jurisdiction of the Texas Public Utilities Commission, hereby submits this five year service quality improvement plan progress report (*Progress Report*) as required by 47 CFR § 54.313(a)(1). Lake Livingston is an incumbent local exchange carrier with a service area in the state of Texas, in 1 exchange covering approximately 22 square miles with 502 access lines as of 12/31/2016. Lake Livingston is a rate-of-return (RoR) regulated carrier.

The *Progress Report* reflected herein represents the Company's ongoing efforts to expand high quality, reasonably-priced broadband services throughout its service area. The Company generated and filed in 2014 a five-year plan in compliance with the Commission's rules, although the out years in the plan (years 3-5) are speculative in nature and thus will likely change, sometimes substantially, in future progress updates filed with the Commission. Reasons for the speculative nature of years 3-5 of the Plan include (1) the unknown nature of universal service support in those years, in light of the Commission's USF/ICC Transformation Order, (2) the difficulty in forecasting customer counts, demand, and other factors directly affecting network demand, and (3) the rapid pace of technological innovations in the communications industry which makes it difficult to plan more than one or two years in advance with any degree of accuracy.

The *Progress Report* presented herein by necessity includes expenditures not specifically identified as "improvements or upgrades" of the Company's network, such as amounts for the maintenance and upkeep of existing telecommunications plant and associated operating expenses. In order for the Commission to accurately consider the capital and operating expenditures as related to and supported by the federal universal service programs, these types of costs are critical for such an understanding.

II. Five Year Plan Update

The Company has no updates to the five year service quality improvement plan it filed in 2014.

III. Progress Report

A. Maps

Section 54.313(a)(1) requires that all recipients of high cost support are to provide maps depicting the progress made during the current reporting period. The Company is providing a map showing progress in regards to its five year service quality plan through June 30, 2016, and is provided at the wire center or census block level, as applicable. Note that 10 Mbps download broadband service is currently available to all customers in the Lake Livingston service area; 1 Mbps upload service is currently available to about 60% of the service area with the remainder served at best effort.

B. Universal Service Support Received

Section 54.313(a)(1) requires that all recipients of high-cost support provide an explanation of how much universal service support was received during the reporting period. For this year's Progress Report, the amount of universal service support received will be for the 6 months ended June 30, 2016. The Company received the following universal service support amounts during the period January 1, 2016 through June 30, 2016:

Description	Amount Rec'd Jan - Jun 2016
High Cost Loop Support	\$553,428
Safety Valve Support	0
Safety Net Additive Support	0
Interstate Common Line Support	\$267,066
CAF-ICC Support	\$105,744
Total	\$926,238

Of the total amount of support received shown above, the Company estimates that approximately 50% was used for capital expenditures and 50% was used for operating expenditures.

C. How Universal Service Support Was Used

Section 54.313(a)(1) also requires all recipients of high-cost support to provide an explanation of how the universal service support received was used to improve service quality, coverage, or capacity. The universal service support received by the Company is either based on (1) actual overall revenue requirements, as determined by associated FCC rules, or (2) the replacement of certain interstate and intrastate access revenues. This support is added to the Company's general funds and the expenditure of such support is not separately tracked, nor is it practical to do so.

Overall, any support expended pursuant to the investment and operating expense budgets presented in the Company's five year service quality improvement plan will be used to increase coverage and capacity, via additional investment in voice and broadband-capable infrastructure, and improve service quality, via expenditures for continued operations and maintenance. By the very nature of the FCC rules that give rise to the universal service support received, the Company clearly expends such funding to expand and support its fiber-to-the-home and DSL network and thus serves to provide and improve broadband and voice coverage, capacity and service quality. Therefore, due to the reimbursement nature of the HCLS and ICLS mechanisms, all support received was already expended to increase coverage, capacity and service quality improvement through qualifying capital investments and the qualifying operating expenses that support them.

D. Network Improvement Targets

Section 54.313(a)(1) requires all recipients of high cost support to provide an explanation of any network improvement targets that have not been fulfilled in the prior calendar year. Since the Company filed its initial five year service quality improvement plan in 2014, there is no prior calendar year upon which to report at this time.

IV. Considerations

The investment and service quality improvement plan and progress report discussed above were generated, in part, to meet or exceed the broadband public interest obligations adopted by the Commission:

- *Speed* - at least 10 mbps downstream and 1 mbps upstream in regards to requests for service beginning in 2015. This reflects the Commission's recent decision to increase the standard broadband speed from 4 mbps /1 mbps.
- *Latency* - 100mS or less, sufficient for real-time applications
- *Capacity* - The Company currently provides unlimited monthly usage allowance to its broadband service customers.
- As an RoR-regulated carrier, the Company is required pursuant to 47 CFR § 54.313(f)(1)(i) to provide broadband service at 10 meg/1 meg upon reasonable request and within a reasonable timeframe. As a result, the Plan and Progress Report reflected herein takes into account this requirement by meeting all such requests for broadband service within the overall service guidelines adopted by the Texas Public Utilities Commission.
- The Company will provide high speed internet and telephone service to all areas within its franchised area.



Lake Livingston

Lake Livingston Telephone Company (SAC 442104)

COMPLIANCE WITH SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES

C.F.R. § 54.313(a)(5)

Form 481, Line 510

Lake Livingston Telephone Company (“Lake Livingston” or “the Company”) complies with all applicable service quality standards and consumer protection rules as required by the Public Utility Commission of Texas (“PUC”) and the Federal Communications Commission (“FCC”).

The rates, terms and conditions under which the Company operates are identified in its Local Exchange Tariff, which is approved by the PUC. The Company’s tariff contains provisions regarding its customer service and protection practices, including resolving customer disputes, applying for, refusing, disconnection and cancellation of service. Rates and terms of service are disclosed to customers upon application for service as part of a packet of information for new customers.

Service quality standards are established by the PUC and Lake Livingston consistently meets or exceeds those requirements. The Company provides quarterly reports to the Texas PUC pursuant to the commission’s rules.

The protection of its customers’ privacy and information is a constant part of Lake Livingston’s quality of service. The Company has a policy and operating procedures that comply with the FCC’s Customer Proprietary Network Information (“CPNI”) rules (47 C.F.R 64.2001 – 64.2011). Certification of Lake Livingston’s compliance with the FCC’s CPNI rules is filed with the FCC annually.

Lake Livingston Telephone Company (SAC 442104)

Statement Regarding the Ability to Function in Emergency Situations

47 CFR § 54.313(a)(6)

Form 481, Line 610

Lake Livingston Telephone Company (LLTC) is an incumbent local exchange carrier operating in the state of Texas, and is an eligible telecommunications carrier (ETC) designated by the Texas Public Utilities Commission (TPUC). As such, LLTC is subject to the regulatory authority of the TPUC and operates under the relevant rules and laws of the state of Texas.

LLTC is subject to TPUC rules regarding the ability to remain functional in emergency situations by (1) maintaining at least eight hours of backup power to ensure functionality without local alternating current (AC) commercial power, (2) establishing the ability to reroute traffic around damaged facilities and to manage traffic spikes resulting from emergency situations, and (3) establishing procedures for employees to follow in an emergency to prevent or minimize interruption or impairment of telecommunications services.

LLTC has 2 fixed generators at the Central Office. LLTC also has 6 portable generators capable of providing the required level of backup power, and that can be deployed as necessary to LLTC's switching and remote sites. LLTC's network is capable of rerouting traffic around damaged facilities, although this ability is not absolute and may be limited in certain circumstances. However, LLTC follows all industry standard practices in ensuring its network remains functional during different types of emergency situations.

Lake Livingston Telephone Company (SAC 442104)

Statement Regarding Voice Rate Comparability

47 C.F.R. § 54.313(a)(10)

Form 481, Line 1010

Lake Livingston Telephone Company is a rural, rate of return regulated incumbent local exchange carrier operating in the state of Texas, and is an eligible telecommunications carrier (ETC) designated by the Texas Public Utilities Commission (TPUC). As such, Lake Livingston Telephone Company is subject to the regulatory authority of the TPUC and operates under the relevant rules and laws of the state of Texas.

Lake Livingston Telephone Company hereby certifies that the pricing of its voice services is no more than two standard deviations above the national average urban rate for voice service, \$47.07, as specified in the April 5, 2016 Public Notice issued by the Wireline Competition Bureau of the Federal Communications Commission.

Lake Livingston Telephone Company's residential voice service rates, including state fees and the federal subscriber line charge (SLC) are as follows.

Monthly rate for Lake Livingston exchange is \$28.95.

Average monthly rate is \$28.95.

Lake Livingston Telephone Company (SAC 442104)

Statement Regarding Broadband Rate Comparability

47 CFR § 54.313(a)(12)

2016 FCC Form 481, Line 1030

Lake Livingston Telephone Company (Lake Livingston) states the following as to the requirements contained in 47 CFR § 54.313(a)(12) regarding the reasonable comparability of residential broadband rates. This rule requires that eligible telecommunications carriers (ETCs) provide “*a certification that the pricing of a service that meets the Commission's broadband public interest obligations is no more than the applicable benchmark to be announced annually in a public notice issued by the Wireline Competition Bureau, or is no more than the non-promotional price charged for a comparable fixed wireline service in urban areas in the states or U.S. Territories where the eligible telecommunications carrier receives support.*”

Lake Livingston notes that this rule, adopted in the FCC's December 18, 2014 Report and Order in WC Docket Nos. 10-90, 14-58, and 14-192 (FCC 14-190) is effective for the first time with the 2016 Form 481 ETC Annual Report. Furthermore, the Wireline Competition Bureau issued a Public Notice (DA 16-362, rel. April 5, 2016) that contains, *inter alia*, the process for determining the applicable reasonably comparable benchmark rates. ETCs are to certify on line 1020 of the 2016 Form 481 that one broadband service offering that satisfies all of the Commission's requirements, including that the service be offered throughout the high-cost support recipient's supported area or made available upon request be priced at or below the relevant benchmark.

While Lake Livingston offers fixed wireline retail residential broadband internet access service meeting the Commission's requirements (10/1 mbps, 150 gb of monthly capacity), it does not and cannot do so at rates at or below the relevant benchmarks. Lake Livingston's retail rate for residential 10/1 unlimited broadband internet access service is \$109.95 per month, while the benchmark rate according to the 2016 Public Notice and the online reasonable comparability benchmark calculator is \$78.66. In addition, Lake Livingston has considered the “*non-promotional price charged for a comparable fixed wireline service in urban areas in the states or U.S. Territories*” in Texas. Lake Livingston's rate is higher due to many factors, including the high cost, remote areas that it serves, the relatively high middle mile costs necessary to connect Lake Livingston's customers to the Internet, and the sparse population in its rural Texas serving area.

Lake Livingston also notes that, as an ILEC ETC, it does not provide retail Internet access services of any kind directly to end user customers; rather, Lake Livingston provides wholesale service to its Internet Service Provider (ISP) affiliate, which then adds services to the broadband “pipe” Lake Livingston provides in order to provide broadband Internet access service to individual residential customers. Thus, Lake Livingston, as the ILEC, does not control the costs incurred by the ISP or the prices charged to the end user.

Lake Livingston Telephone Company (SAC 442104)
Progress Report on 5 Year Plan – Milestone Certification
47 C.F.R. § 54.313(f)(1)(i)
Form 481, Line 3010

Lake Livingston Telephone Company hereby certifies pursuant to 47 CFR 54.313(f)(1)(i) that it is taking all reasonable steps to provide, upon reasonable request, broadband service at actual speeds of at least 10 mbps downstream and 1 mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service are met within a reasonable time frame.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

**Consolidated Financial Statements and
Auditor's Report**

December 31, 2015 and 2014

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

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**MIZE HOUSER
& COMPANY P.A.**

The Board of Directors
Lake Livingston Telephone Company, Inc.
San Antonio, Texas

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Lake Livingston Telephone Company, Inc. and Affiliate, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in stockholder's equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lake Livingston Telephone Company, Inc. and Affiliate as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mize Houser & Company P.A.

Certified Public Accountants

Overland Park, Kansas
June 28, 2016

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CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidated Balance Sheets
December 31.

<u>Assets</u>	2015	2014
Current assets:		
Cash and cash equivalents	\$ 457,963	\$ 816,267
Telecommunications accounts receivable:		
Customers, less allowance for doubtful accounts of \$3,113 and \$11,354 in 2015 and 2014, respectively	58,743	48,994
Interexchange carriers, net	288,832	283,856
Accounts receivable, affiliate	0	492,142
Materials and supplies	88,679	79,206
Refundable income taxes	0	80,169
Prepaid expenses	23,697	23,977
Deferred income taxes	1,058	3,859
Total current assets	918,972	1,828,470
Noncurrent assets:		
Other assets	240,000	0
CoBank stock	25,516	33,748
Total noncurrent assets	265,516	33,748
Property, plant and equipment:		
Telecommunications plant under construction	0	10,164
Telecommunications plant in service	10,722,387	10,993,929
Nonregulated construction in progress	38,095	0
Nonregulated property and equipment	198,928	221,339
	10,957,408	11,225,432
Less accumulated depreciation	6,627,874	6,837,351
Net property, plant and equipment	4,329,534	4,388,081
Total assets	\$ 5,514,022	\$ 6,250,299

The accompanying summary of significant accounting policies
and notes are an integral part of these statements.

Liabilities and Stockholder's Equity

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ 135,558	\$ 357,770
Advance billings and customer deposits	37,563	37,405
Accrued compensation and benefits	13,386	16,388
Income taxes payable	23,174	0
Accrued operating taxes	26,963	28,042
Total current liabilities	<u>236,644</u>	<u>439,605</u>
Long-term liabilities:		
Deferred income taxes	<u>1,268,036</u>	<u>1,255,790</u>
Total liabilities	<u>1,504,680</u>	<u>1,695,395</u>
Stockholder's equity:		
Common stock of Lake Livingston Telephone Company, \$1 par value, 1,000,000 shares authorized, 400,000 shares issued and 204,000 shares outstanding	400,000	400,000
Common stock of Lake Livingston Communications, no par value, 100,000 shares authorized, 1 share issued and outstanding	1	1
Additional paid in capital of Lake Livingston Telephone Company	561,390	561,390
Retained earnings of Lake Livingston Telephone Company	3,678,946	4,101,618
Retained (deficit) of Lake Livingston Communications	(411,272)	(288,382)
Less 196,000 shares of common stock of Lake Livingston Telephone Company held in treasury, at cost	<u>(219,723)</u>	<u>(219,723)</u>
Total stockholders' equity	<u>4,009,342</u>	<u>4,554,904</u>
Total liabilities and stockholder's equity	<u>\$ 5,514,022</u>	<u>\$ 6,250,299</u>

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidated Statements of Income
Years Ended December 31,

	2015	2014
Operating revenues:		
Local network service revenue	\$ 98,216	\$ 97,273
Long distance network service revenue	2,984,334	2,855,645
Miscellaneous revenue	4,753	7,136
Nonregulated revenue	234,157	204,135
Total operating revenues	3,321,460	3,164,189
Operating expenses:		
Plant specific	544,664	526,386
Plant non-specific:		
Depreciation	533,319	513,160
Network and other	485,535	397,279
Customer operations	115,619	123,549
Corporate operations	800,663	861,591
Nonregulated expenses, including depreciation of \$17,966 and \$25,454 in 2015 and 2014, respectively	424,200	401,655
Total operating expenses	2,904,000	2,823,620
Total net operating income	417,460	340,569
Operating taxes:		
Deferred income tax expense	15,047	60,073
Current income tax expense	118,447	50,621
Other operating taxes	28,865	30,222
Total operating taxes	162,359	140,916
Net income from operations	255,101	199,653
Nonoperating income (expense):		
Interest and dividend income	17	15
Current income tax (expense) benefit	(1,148)	230
Other, net	3,360	(1,482)
Total nonoperating income (expense)	2,229	(1,237)
Net income	257,330	198,416
Net loss attributable to Lake Livingston Communications	122,890	131,733
Net income attributable to Lake Livingston Telephone Company	\$ 380,220	\$ 330,149

The accompanying summary of significant accounting policies
and notes are an integral part of these statements.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidated Statements of Changes in Stockholder's Equity (Deficit)
Years Ended December 31, 2015 and 2014

Lake Livingston Telephone Company, Inc.

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Stockholder's Equity
Balance at December 31, 2013	\$ 400,000	\$ 561,390	\$ 3,771,469	\$ (219,723)	\$ 4,513,136
Net income for the year	0	0	330,149	0	330,149
Balance at December 31, 2014	400,000	561,390	4,101,618	(219,723)	4,843,285
Dividend declared	0	0	(802,892)	0	(802,892)
Net income for the year	0	0	380,220	0	380,220
Balance at December 31, 2015	<u>\$ 400,000</u>	<u>\$ 561,390</u>	<u>\$ 3,678,946</u>	<u>\$ (219,723)</u>	<u>\$ 4,420,613</u>

Lake Livingston Communications, Inc.

	Common Stock	Additional Paid In Capital	Retained (Deficit)	Treasury Stock	Stockholder's (Deficit)
Balance at December 31, 2013	\$ 1	\$ 0	\$ (156,649)	\$ 0	\$ (156,648)
Net loss for the year	0	0	(131,733)	0	(131,733)
Balance at December 31, 2014	1	0	(288,382)	0	(288,381)
Net loss for the year	0	0	(122,890)	0	(122,890)
Balance at December 31, 2015	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (411,272)</u>	<u>\$ 0</u>	<u>\$ (411,271)</u>

The accompanying summary of significant accounting policies
and notes are an integral part of these statements.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidated Statements of Cash Flows
Years Ended December 31,

	2015	2014
Cash flows from operating activities:		
Net income of Lake Livingston Telephone Company	\$ 380,220	\$ 330,149
Net (loss) of Lake Livingston Communications	(122,890)	(131,733)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	551,285	538,614
Bad debt expense	23,544	27,531
Deferred income taxes	15,047	60,073
(Increase) in accounts receivable	(38,269)	(9,373)
(Increase) decrease in materials and supplies	(9,473)	6,847
Decrease in refundable income taxes	80,169	18,757
Decrease (increase) in prepaid expenses	280	(368)
(Decrease) in accounts payable	(6,874)	(6,736)
Increase in income taxes payable	23,174	0
(Decrease) in other current liabilities	(3,923)	(35,789)
Net cash provided by operating activities	892,290	797,972
Cash flows from investing activities:		
Acquisition of property and equipment	(715,166)	(700,451)
Proceeds from sale of equipment	7,090	0
Investment in Skitter	(240,000)	0
Advances to affiliate	(310,750)	(259,162)
Cash proceeds from retirement of CoBank stock	8,232	8,373
Net cash (used in) investing activities	(1,250,594)	(950,240)
Net (decrease) in cash and cash equivalents	(358,304)	(152,268)
Cash and cash equivalents at beginning of year	816,267	968,535
Cash and cash equivalents at end of year	\$ 457,963	\$ 816,267
Supplemental cash flow disclosures:		
Noncash dividend	\$ 802,892	\$ 0
Property and equipment purchased with accounts payable at year-end	\$ 107,426	\$ 322,764

The accompanying summary of significant accounting policies
and notes are an integral part of these statements.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Summary of Significant Accounting Policies Years Ended December 31, 2015 and 2014

Organization

Lake Livingston Telephone Company, Inc. (LLTC) is a wholly owned subsidiary of McHenry Corporation (McHenry) and provides local telephone and related services to customers in the Lake Livingston area in Southeast Texas. LLTC also provides these customers with access to the long distance network and receives revenues for provision of this access from interexchange carriers. Lake Livingston Communications, Inc. (LLCOM), a wholly owned subsidiary of McHenry, provides nonregulated services including long distance, internet, cable television, and sales and service of nonregulated telecommunications equipment to customers in the LLTC service area.

The accounting policies of LLTC and LLCOM conform to accounting principles generally accepted in the United States of America. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of LLTC are maintained in accordance with the Uniform System of Accounts for Class A Telephone Companies prescribed by the Federal Communications Commission.

Principles of Consolidation

FASB Accounting Standards Codification 810, Consolidation (FASB ASC 810), requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company has determined that LLCOM is a variable interest entity and that LLTC is the primary beneficiary of LLCOM.

In accordance with FASB ASC 810 (as noted above), the consolidated financial statements of LLTC include the accounts of LLCOM. All significant intercompany accounts and transactions have been eliminated. For purposes of these consolidated financial statements, the term "the Company" refers to either member of the consolidated group.

Telecommunications Plant

Telecommunications plant in service at December 31, 2015 and 2014 is stated at original cost. For financial statement purposes, LLTC records depreciation on telecommunications plant in service on a straight-line basis at annual rates prescribed by the Texas Public Utility Commission (TPUC), which will amortize the depreciable property over its estimated useful life. Nonregulated facilities are stated at cost and depreciated on accelerated and straight-line methods over their estimated useful lives. Management annually reviews these assets to determine whether carrying values have been impaired.

For income tax purposes, the Company provides for depreciation utilizing both straight-line and accelerated methods as prescribed by income tax regulations.

Materials and Supplies

Materials and supplies inventories are valued on the average cost basis.

Income Taxes

LLTC and LLCOM file their federal income tax returns on a consolidated basis with McHenry. Income tax expense or benefit is computed based on the taxable income or loss of the Company at the marginal tax rate in effect. Any consolidated tax benefit or expense is allocated to the entity from which the benefit or expense originated.

Deferred income taxes are provided for temporary differences between the income tax bases and financial statement bases of assets and liabilities.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Summary of Significant Accounting Policies Years Ended December 31, 2015 and 2014

Revenue Recognition

Compensation for Intrastate/Intralata services is received through tariffed long distance rates filed with the TPUC and billed to the end user. The Company retains all Intrastate/Intralata long distance billed to the end user and receives assistance from the Texas Universal Service Fund (TUSF) related to the provision of this intrastate long distance service.

Compensation for Intrastate/Interlata service is received through tariffed access charges as filed with the TPUC. These access charges are billed to the Interlata long distance carrier and retained by the Company.

The Company has filed its own tariff with the Federal Communications Commission (FCC) for its Interstate access charges. These access charges are billed to the appropriate long distance carrier and retained by the Company.

In addition, the Company receives support from the Universal Service Fund (USF) related to the cost of providing local telephone service in high cost areas, as well as recovery of certain revenues impacted by the "USF/ICC Transformation Order". The amount of such support is determined based on Company specific data.

The Company reports all USF and TUSF payments received as long distance network service revenue. For the years ended December 31, 2015 and 2014, payments received from the USF approximated 57% and 55% respectively, of operating revenues. Payments from the TUSF approximated 23% and 24% of operating revenues for the years ended December 31, 2015 and 2014, respectively.

Trade Accounts Receivable

Trade accounts receivable, both customers and interexchange carriers, are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to trade accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements
Years Ended December 31, 2015 and 2014

1. Related Parties

On November 10, 1995, all of the common stock of the Company was purchased by McHenry from TDS Telecommunications Corporation. McHenry was formed in order to purchase the Company.

During the years ended December 31, 2015 and 2014, the Company made certain payments on behalf of McHenry. At December 31, 2015 and 2014, McHenry owed the Company \$0 and \$492,142, respectively, related to these advances. On December 31, 2015, the Company declared a dividend to McHenry of \$802,892.

2. Income Taxes

The Company files an income tax return in the United States federal jurisdiction. The Company is generally no longer subject to federal income tax examinations by taxing authorities for years before 2012. There are currently no income tax examinations of the Company's income tax returns in progress.

LLTC and LLCOM file their federal income tax returns on a consolidated basis with McHenry. Current income tax expense is computed based on the Company's taxable income at the marginal rate in effect.

The provision for income taxes differs from that computed by applying statutory rates to the income before income taxes, as indicated in the following analysis:

	<u>2015</u>	<u>2014</u>
Federal income tax expense at 34%	\$ 135,038	\$ 105,019
Nondeductible expenses	2,976	2,915
Other	<u>(3,372)</u>	<u>2,530</u>
Total income tax expense recorded	<u>\$ 134,642</u>	<u>\$ 110,464</u>

The differences between the basis of the Company's assets and liabilities for income tax reporting purposes and for financial reporting purposes are principally from the use of accelerated depreciation for income tax purposes.

3. Retirement Plans

The Company participates in a tax deferred 401(k) profit sharing plan whereby eligible employees may contribute amounts of their compensation, up to the maximum allowable by IRS regulations, to the plan. The Company is required to make a minimum contribution of 3% of eligible compensation and may also make discretionary contributions to the plan. Company contributions for the years ended December 31, 2015 and 2014 were \$35,123 and \$32,649, respectively. There were no discretionary profit sharing contributions in 2015 or 2014.

4. Concentrations

The Company maintains cash at financial institutions in Missouri and Texas. At certain times, the Company has amounts on deposit in excess of the Federal Deposit Insurance Corporation limits. The Company also maintains a money market account at a brokerage firm whose security accounts are insured up to specified limits by the Securities Investor Protection Corporation. The Company monitors the financial stability of the financial institutions and brokerage firm and does not believe there is a significant credit risk associated with the deposits.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Notes to the Consolidated Financial Statements
Years Ended December 31, 2015 and 2014

5. Commitment

The Company has entered into an agreement with Skitter Technology, Inc. (Skitter) whereby Skitter will provide internet protocol cable television services to its customers. The agreement has an initial term of ten years with a five year renewal option. The Company has paid the upfront management fee of \$240,000 related to the agreement, however, the system is not in operation and the Company continued to provide cable television utilizing its own equipment as of December 31, 2015.

6. Contingency

In December 2011, the Federal Communications Commission (FCC) released the Order and "Further Notice of Proposed Rulemaking" (FNPRM), with the stated objective of reforming and modernizing the universal service and intercarrier compensation system. On March 30, 2016, the FCC released the Report and Order, Order and Order on Reconciliation, and FNPRM with the stated objective of adopting significant reforms to place the universal service program on solid footing for the next decade to "preserve and advance" voice and broadband service in areas served by the rate-of-return carriers.

The final resolution of the above-mentioned Orders and FNPRMs is unknown at this time. As a result, the effect of the Orders and FNPRMs on the Company's intercarrier revenues and universal service revenues for future years is not known at this time.

7. Subsequent Events

The Company has evaluated subsequent events through June 28, 2016, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION



MIZE HOUSER
& COMPANY P.A.

The Board of Directors
Lake Livingston Telephone Company, Inc.
San Antonio, Texas

Independent Auditor's Report on Supplemental Information

We have audited the consolidated financial statements of Lake Livingston Telephone Company, Inc. and Affiliate as of and for the years ended December 31, 2015 and 2014, and our report thereon dated June 28, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 11 through 16, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mize Houser & Company P.A.

Certified Public Accountants

Overland Park, Kansas
June 28, 2016

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CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Balance Sheet - Unaudited
December 31, 2015

Assets	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ 457,059	\$ 904	\$ 457,963	\$ 0	\$ 457,963
Telecommunications accounts receivable:					
Customers	58,743	0	58,743	0	58,743
Interexchange carriers, net	288,832	0	288,832	0	288,832
Materials and supplies	35,012	53,667	88,679	0	88,679
Prepaid expenses	23,697	0	23,697	0	23,697
Deferred income taxes	1,058	0	1,058	0	1,058
Total current assets	854,401	54,571	918,972	0	918,972
Noncurrent assets:					
Accounts receivable, affiliate	768,403	(768,403)	0	0	0
Other assets	0	240,000	240,000	0	240,000
CoBank stock	25,516	0	25,516	0	25,516
Total noncurrent assets	793,919	(528,403)	265,516	0	265,516
Property, plant and equipment:					
Telecommunications plant in service	10,722,387	0	10,722,387	0	10,722,387
Nonregulated construction in progress	0	38,095	38,095	0	38,095
Nonregulated property and equipment	0	196,926	196,926	0	196,926
Less accumulated depreciation	10,722,387	235,021	10,957,408	0	10,957,408
Net property, plant and equipment	6,465,812	162,062	6,627,874	0	6,627,874
	4,256,575	72,959	4,329,534	0	4,329,534
Total assets	\$ 5,914,895	\$ (400,873)	\$ 5,514,022	\$ 0	\$ 5,514,022

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Balance Sheet - Unaudited
December 31, 2015

	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entries	Consolidated
Liabilities and Stockholder's Equity					
Current liabilities:					
Accounts payable	\$ 135,490	\$ 68	\$ 135,558	\$ 0	\$ 135,558
Advance billings and customer deposits	37,563	0	37,563	0	37,563
Accrued compensation and benefits	13,386	0	13,386	0	13,386
Income taxes payable	23,174	0	23,174	0	23,174
Accrued operating taxes	26,963	0	26,963	0	26,963
Total current liabilities	236,576	68	236,644	0	236,644
Long-term liabilities:					
Deferred income taxes	1,257,706	10,330	1,268,036	0	1,268,036
Total liabilities	1,494,282	10,398	1,504,680	0	1,504,680
Stockholder's equity (deficit):					
Common stock	400,000	1	400,001	0	400,001
Additional paid in capital	561,390	0	561,390	0	561,390
Retained earnings (deficit)	3,678,946	(411,272)	3,267,674	0	3,267,674
Treasury stock	(219,723)	0	(219,723)	0	(219,723)
Total stockholder's equity (deficit)	4,420,613	(411,271)	4,009,342	0	4,009,342
Total liabilities and stockholder's equity (deficit)	\$ 5,914,895	\$ (400,873)	\$ 5,514,022	\$ 0	\$ 5,514,022

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Balance Sheet - Unaudited
December 31, 2014

Assets	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ 802,356	\$ 13,911	\$ 816,267	\$ 0	\$ 816,267
Telecommunications accounts receivable:					
Customers	48,994	0	48,994	0	48,994
Interexchange carriers, net	283,856	0	283,856	0	283,856
Accounts receivable, affiliate	492,142	0	492,142	0	492,142
Materials and supplies	20,279	58,927	79,206	0	79,206
Refundable income taxes	80,169	0	80,169	0	80,169
Prepaid expenses	23,977	0	23,977	0	23,977
Deferred income taxes	3,859	0	3,859	0	3,859
Total current assets	1,755,632	72,838	1,828,470	0	1,828,470
Noncurrent assets:					
Accounts receivable, affiliate	385,245	(385,245)	0	0	0
CoBank stock	33,748	0	33,748	0	33,748
Total noncurrent assets	418,993	(385,245)	33,748	0	33,748
Property, plant and equipment:					
Telecommunications plant under construction	10,164	0	10,164	0	10,164
Telecommunications plant in service	10,993,929	0	10,993,929	0	10,993,929
Nonregulated property and equipment	42,605	178,734	221,339	0	221,339
	11,046,698	178,734	11,225,432	0	11,225,432
Less accumulated depreciation	6,692,462	144,889	6,837,351	0	6,837,351
Net property, plant and equipment	4,354,236	33,845	4,388,081	0	4,388,081
Total assets	\$ 6,528,661	\$ (278,562)	\$ 6,250,299	\$ 0	\$ 6,250,299

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Balance Sheet - Unaudited
December 31, 2014

	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entries	Consolidated
Liabilities and Stockholder's Equity					
Current liabilities:					
Accounts payable	\$ 357,619	\$ 151	\$ 357,770	\$ 0	\$ 357,770
Advance billings and customer deposits	37,405	0	37,405	0	37,405
Accrued compensation and benefits	16,388	0	16,388	0	16,388
Accrued operating taxes	28,042	0	28,042	0	28,042
Total current liabilities	439,454	151	439,605	0	439,605
Long-term liabilities:					
Deferred income taxes	1,246,122	9,668	1,255,790	0	1,255,790
Total liabilities	1,685,576	9,819	1,695,395	0	1,695,395
Stockholder's equity (deficit):					
Common stock	400,000	1	400,001	0	400,001
Additional paid in capital	561,390	0	561,390	0	561,390
Retained earnings (deficit)	4,101,618	(288,382)	3,813,236	0	3,813,236
Treasury stock	(219,723)	0	(219,723)	0	(219,723)
Total stockholder's equity (deficit)	4,843,285	(288,381)	4,554,904	0	4,554,904
Total liabilities and stockholder's equity (deficit)	\$ 6,528,861	\$ (278,562)	\$ 6,250,299	\$ 0	\$ 6,250,299

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Statement of Income- Unaudited
Year Ended December 31, 2015

	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entries	Consolidated
Operating revenues:					
Local network service revenue	\$ 98,216	\$ 0	\$ 98,216	\$ 0	\$ 98,216
Long distance network service revenue	2,984,334	0	2,984,334	0	2,984,334
Miscellaneous revenue	4,753	0	4,753	0	4,753
Nonregulated revenue	0	380,786	380,786	(146,629)	234,157
Total operating revenues	3,087,303	380,786	3,468,089	(146,629)	3,321,460
Operating expenses:					
Plant specific	544,664	0	544,664	0	544,664
Plant non-specific - depreciation	533,319	0	533,319	0	533,319
Plant non-specific - network and other	485,535	0	485,535	0	485,535
Customer operations	115,619	0	115,619	0	115,619
Corporate operations	800,663	0	800,663	0	800,663
Nonregulated expenses	0	570,829	570,829	(146,629)	424,200
Total operating expenses	2,479,800	570,829	3,050,629	(146,629)	2,904,000
Total net operating income (loss)	607,503	(190,043)	417,460	0	417,460
Operating taxes:					
Deferred income tax expense	14,385	662	15,047	0	15,047
Current income tax expense (benefit)	184,460	(66,013)	118,447	0	118,447
Other operating taxes	28,793	72	28,865	0	28,865
Total operating taxes	227,638	(65,279)	162,359	0	162,359
Net income (loss) from operations	379,865	(124,764)	255,101	0	255,101
Nonoperating income (expense):					
Interest and dividend income	17	0	17	0	17
Current income tax (expense)	(183)	(965)	(1,148)	0	(1,148)
Other, net	521	2,839	3,360	0	3,360
Total nonoperating income	355	1,874	2,229	0	2,229
Net income (loss)	\$ 380,220	\$ (122,890)	\$ 257,330	\$ 0	\$ 257,330

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

LAKE LIVINGSTON TELEPHONE COMPANY, INC. AND AFFILIATE

Consolidating Statement of Income - Unaudited
Year Ended December 31, 2014

	Lake Livingston Telephone Company, Inc.	Lake Livingston Communications, Inc.	Combined	Consolidating Entities	Consolidated
Operating revenues:					
Local network service revenue	\$ 97,273	\$ 0	\$ 97,273	\$ 0	\$ 97,273
Long distance network service revenue	2,855,645	0	2,855,645	0	2,855,645
Miscellaneous revenue	7,136	0	7,136	0	7,136
Nonregulated revenue	0	349,695	349,695	(145,560)	204,135
Total operating revenues	2,960,054	349,695	3,309,749	(145,560)	3,164,189
Operating expenses:					
Plant specific	526,386	0	526,386	0	526,386
Plant non-specific - depreciation	513,160	0	513,160	0	513,160
Plant non-specific - network and other	397,279	0	397,279	0	397,279
Customer operations	123,549	0	123,549	0	123,549
Corporate operations	861,591	0	861,591	0	861,591
Nonregulated expenses	0	547,215	547,215	(145,560)	401,655
Total operating expenses	2,421,965	547,215	2,969,180	(145,560)	2,823,620
Total net operating income (loss)	538,089	(197,520)	340,569	0	340,569
Operating taxes:					
Deferred income tax expense (benefit)	63,617	(3,544)	60,073	0	60,073
Current income tax expense (benefit)	111,446	(60,825)	50,621	0	50,621
Other operating taxes	30,150	72	30,222	0	30,222
Total operating taxes	205,213	(64,297)	140,916	0	140,916
Net income (loss) from operations	332,876	(133,223)	199,653	0	199,653
Nonoperating (expense) income:					
Interest and dividend income	15	0	15	0	15
Current income tax benefit (expense)	1,000	(770)	230	0	230
Other, net	(3,742)	2,260	(1,482)	0	(1,482)
Total nonoperating (expense) income	(2,727)	1,490	(1,237)	0	(1,237)
Net income (loss)	\$ 330,149	\$ (131,733)	\$ 198,416	\$ 0	\$ 198,416

The accompanying summary of significant accounting policies and notes are an integral part of these statements.

CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION